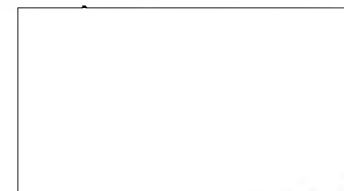


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*NESA # 83-10006*

MEMORANDUM FOR:

DDO Request

From:

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7 January 1983

## TALKING POINTS

## Assessment of the Situation in the Yemens

North Yemen

After the successful campaign against the NDF, President Salih has gained a grace period in which to try to extend his authority and consolidate gains.

- He has already scheduled an election of the People's Constituent Assembly for early 1983 in an effort to involve Yemeni elites in the government and garner their support.

To hold power, Salih will need to continue balancing rival internal and external forces: the tribes and the NDF, the Saudis and the Soviets. This balancing act will continue to inhibit his ability to broaden support for the government. He may even face a challenge from a new source -- the Muslim Brotherhood which has shown surprising strength recently, presumably with Saudi support.

Mounting economic problems also could weaken Salih's position. The government's financial outlook is gloomy. Declining foreign exchange reserves and falling remittances are sure to cause problems.

- Expected foreign aid shortfalls could force cuts in development spending which could erode government legitimacy and lead to increased political instability.

Though the NDF is weakened it still has support inside and outside North Yemen and will at least try to rebuild its cell structure

- For now, South Yemen is unlikely to support a resumption of guerilla activity.

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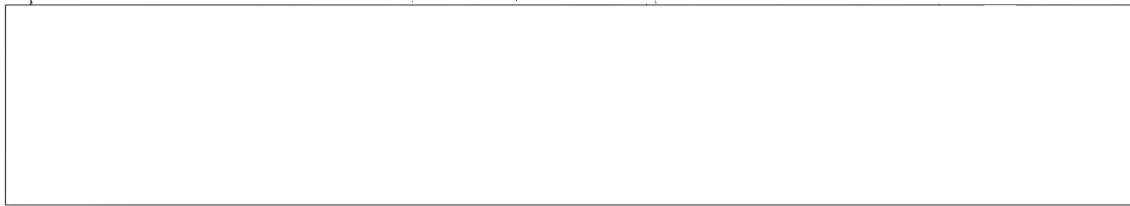
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South Yemen

President Ali Nasir Muhammad is likely to continue on his moderate course over the next several months. He hopes to obtain more economic assistance from the Gulf oil states and broaden his political base at home.

- As a result, we expect Ali Nasir to scrupulously abide by his recent agreement with Oman.
- He will hold the NDF on a short leash.

However, Ali Nasir will proceed cautiously to avoid angering Moscow and possibly triggering a Soviet move against him.

- He is well aware that Ismail is still waiting in the wings in Moscow, although Ismail's influence in South Yemen has been weakened since the removal of several of his supporters from the Cabinet in August.
- The Soviets could also support Defense Minister Qasim who is still at odds with Ali Nasir over his pragmatic foreign policy initiatives.

We believe Ali Nasir is driven mainly by economic problems.

- The flood in the Hadramaut caused serious damage.
- South Yemen faces increasing balance of payments problems.
- Soviet aid, even after the flood, is still unsatisfactory.
- We expect that as a result of long standing unhappiness with Soviet aid and trade relations, Ali Nasir will continue to attempt to increase trade with the West.

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